

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6626**

**BILL NUMBER:** SB 218

**NOTE PREPARED:** Feb 18, 2011

**BILL AMENDED:** Feb 17, 2011

**SUBJECT:** Developmental Disabilities.

**FIRST AUTHOR:** Sen. Lawson C

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill has the following provisions:

- (1) Changes the definition of "developmental disabilities" to conform to the federal definition.
- (2) Repeals the Community Residential Council and gives the duties of the Council to the Division of Disability and Rehabilitative Services (DDRS).
- (3) Changes the following concerning the First Steps Program: (a) the third-party payor requirements; and (b) the copayment structure and amounts; and (c) allows the DDRS to require a copayment for only one child per family during a billing period.
- (4) Requires certain reports to the Division of Disability and Rehabilitative Services Advisory Council.
- (5) Eliminates priority criteria for formal categories for developmental disability waiver slots.
- (6) Requires the Office of Medicaid Policy and Planning (OMPP) to apply for federal approval to amend a Medicaid waiver to set an emergency placement priority for certain individuals.

**Effective Date:** July 1, 2011.

**Summary of NET State Impact on the First Steps Program:** (Revised) The provisions of this bill that affect the First Steps Program are expected to decrease program expenditures by a maximum of approximately \$1.2 M within the first year of implementation. The bill is also expected to increase revenue to the First Steps Program by \$5 M per year from changes made to third-party liability payments.

**Explanation of State Expenditures:** *Repeal of Community Residential Council:* The provisions of the bill that repeal the Community Residential Council and transfer the Council's duties to the DDRS is expected

to save the state approximately \$4,000 per year on Council expenditures. The Family and Social Services Administration (FSSA) reports the responsibilities of the Council are fairly duplicated by the DDRS. Further, transferring the Council's responsibilities to the DDRS can be performed without additional resources or appropriations.

(Revised) However, the bill does add reporting requirements to tasks formerly performed by the Community Residential Council. Under the bill, beginning July of 2012, the DDRS would be required to annually report to the Division of Disability and Rehabilitative Services Advisory Council (Advisory Council) (1) the current projected needs of each geographic area in Indiana for residential services and (2) how the provision of developmental and vocational services for these residents affects the availability of services for individuals with developmental disabilities living in their homes. The bill also adds that the DDRS is required to quarterly report specific information to the Advisory Council related to Medicaid waivers. The FSSA reports they do not anticipate any additional costs to meet the reporting requirements included in the bill.

*Developmental Disability Waiver Slots:* The bill will also increase the workload of the Office of Medicaid Policy and Planning (OMPP) by requiring OMPP to petition the U.S. Department of Health and Human Services to amend a waiver to set an emergency placement priority for individuals in certain situations.

#### First Steps Program Changes:

(Revised) *Maximum Monthly Cost Share:* The bill removes the maximum monthly cost share for the First Steps Program. The FSSA estimates this provision is expected to reduce the demand for First Steps Program services by families having to provide additional copayments for services above the current maximum monthly cost share (which is currently eight times greater than the copayment for a one-hour treatment unit). This change is estimated to save the state a maximum of approximately \$1.2 M within the first year of implementation. Actual cost savings will depend on the following; (1) the extent families elect to request services above the maximum monthly cost share and (2) the copayments paid by families who request services above the former maximum monthly cost share.

*Third Party Liability Payments:* The bill changes language regarding third-party liability (TPL) plans for the First Steps Program. FSSA reports these changes will dramatically decrease administrative time that is required to submit numerous requests for reimbursement to TPL payors.

According to FSSA, the process to submit individual child service claims for reimbursement to insurance plans is a cumbersome process and often requires frequent contact with TPL payors to collect payments. FSSA reports that in many instances, prior authorization or in-network requirements apply, which prohibit the state from receiving funding for First Steps services. FSSA reports these difficulties have resulted in a low rate of payment for services from children with private insurance and high administrative costs to collect TPL payments.

Additional Information: The definition of "developmental disability" is being amended in Indiana Code to more closely match the federal definition. This impact is not intended to have any repercussions on federal reimbursement or restrictions on eligibility for programs and services.

#### **Explanation of State Revenues: First Steps Program Changes:**

*Third Party Liability Payments:* FSSA reports the changes in the bill will allow the Administration to increase revenue the state receives from TPL payors through a capitated rate or monthly fee for First Steps services. FSSA estimates that with the implementation of capitated rates, state revenue from TPL payment for First Steps services will increase by \$5 M per year.

*(Revised) Copayment Per Unit of Treatment Changes:* The bill changes the unit of treatment from hourly increments to 15-minute increments. FSSA reports First Steps Program services are currently billed in quarter-hour increments.

The bill also changes the copayment amount paid by families who have incomes greater than 250% of the federal poverty level (FPL). The changes made to the copayment per unit of treatment are the equivalent of the former hourly copayment per unit of treatment with the exceptions of (1) the copayment for families between 651% and 750% of the FPL (the bill increases the copayment by \$2 per hour of treatment), (2) the copayment for families between 751% and 850% of the FPL (the bill increases the copayment by \$1 per hour of treatment), and (3) the removal of the copayments made by families who have incomes greater than 1,001% of the FPL (\$120 per hour of treatment). The FSSA reports approximately 34% of the families who receive First Steps Program services have copayments for services. These changes to the copayment per unit of treatment are expected to increase revenue to the First Steps Program by approximately \$120,000 per year.

*(Revised) Billing One Child Per Household:* The bill specifies that a cost participation plan used for the First Steps Program may allow the DDRS to require a copayment for only one child per family during a billing period. The FSSA reports this change is expected to decrease revenue to the First Steps Program by approximately \$100,000 per year.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** FSSA.

**Local Agencies Affected:**

**Information Sources:** Susie Howard, FSSA.

**Fiscal Analyst:** Bill Brumbach, 232-9559.